



DEPARTMENT OF THE ARMY

U.S. Army Corps of Engineers
WASHINGTON, D.C. 20314-1000

REPLY TO
ATTENTION OF:

CERE-MM (405-90a)

6 January 1992

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Administration of U.S. Army Timber Harvest Program

1. During an audit of the Timber Harvest Program at two Districts, the audit team noted that two methods of sale are used, the unit price/ton/scale method and the lump sum method. The auditors indicated that both methods have merit in certain situations, but felt that the unit price method produces the maximum income for the Government. Their review of numerous timber contracts disclosed significant variances between the estimated volumes provided by installation foresters and the actual volumes harvested. They were concerned that the exclusive use of lump sum sales by FOA's would result in a considerable loss of revenue. In light of the above, we recommend that the unit price method of sale be used more extensively by FOA's. The use of the lump sum method may be used when circumstances warrant including but not limited to (a) small tracts of timber appraised at \$10,000 or less and (b) sales that, due to the limited staff personnel, could not be effectively administered under the unit price method.
2. The audit team also expressed concern regarding the procedures used in those instances when the highest bid received is lower than the Government's appraised value on contracts exceeding \$1,000. Their concern stemmed from allowing the highest bidders to verbally increase their bid in increments until they equaled or exceeded the Government's appraisal. Such practice appeared to be negotiations which were only authorized for sales valued less than \$1,000.
3. Subsequent to the audit report, GSA amended the Federal Property Management Regulations (41 CFR 101-47.304-9) by allowing negotiated sales-for property with an estimated fair market value not to exceed \$15,000.
4. In light of the above, the following revisions to paragraph 11-233 of ER 405-1-12 are provided:
 - "c. All land, irrespective of estimated value, and all other real property and components with an estimated value in excess of \$10,000 will be appraised. Where an acceptable offer as defined in a and b above, is not received for such property as a result of public advertising, it will be readvertised unless the responsible DE determines, based upon written findings which shall be preserved as part of the permanent file, that further public advertising will serve no useful